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BANKING & INSOLVENCY

Third Party Funding in Hong Kong — Back in Uncertain Waters?

Raafat Imam v Life (China) Co Ltd [2018] HKCFI 1852

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The cost of fighting a dispute can at times be enormous. An increasingly popular method of minimising this cost exposure is the use of third party funding arrangements, whereby a private entity pays for all of a party's costs in a dispute in return for a percentage of any monies awarded in his or her favour.

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In most countries, the legality of third party funding arrangements is uncertain. Recognising their benefits, some countries — such as Hong Kong — have permitted third party funding arrangements in international arbitrations. However, in *Raafat Imam*, the Hong Kong courts have cast doubt over the legality under Hong Kong law of third party funding arrangements for court cases.

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Importantly, the implications of the Hong Kong decision may travel beyond their shores. Foreign courts, including Malaysia, may take heed of the Hong Kong decision when deciding on the legality of third party funding agreements that are sought to be enforced locally. Thus, clients who wish to enter into third party funding arrangements for their disputes should carefully consider the funder's degree of involvement in the dispute and its compliance with local regulations.

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The Hong Kong decision may be viewed [here](#).

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